

**ESTHERVILLE LINCOLN CENTRAL  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2007**







## TABLE OF CONTENTS

Officials .....	1
Independent Auditors' Report .....	2
Management Discussion and Analysis .....	4
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	14
Statement of Activities .....	15
Governmental Fund Financial Statements:	
Balance Sheet .....	17
Reconciliation of the Balance Sheet To the Statement of Net Assets .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances To the Statement Of Activities .....	20
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	21
Statement of Revenues, Expenditures and Changes in Net Assets .....	22
Statement of Cash Flows .....	23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets .....	25
Statement of Changes in Fiduciary Net Assets .....	26
Notes to Financial Statements .....	27
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual, All Governmental Funds and Proprietary Fund .....	38
Notes to Required Supplementary Information – Budgetary Reporting .....	40
<b>Other Supplementary Information:</b>	
Governmental Nonmajor Funds:	
Combining Balance Sheet .....	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	43
Schedule of Individual Student Activity Account Activity .....	45
Comparison of Taxes and Intergovernmental Revenues and Receipts .....	46
Schedule of Expenditures of Federal Awards .....	47
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters .....	48
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance .....	50
Schedule of Findings and Questioned Costs .....	52
Summary Schedule of Prior Audit Findings .....	56
Corrective Action Plan for Federal Audit Findings .....	57



ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

**BOARD OF EDUCATION**

**(Before September 2006 Election)**

Tony Condon	President	2006
Karen Butler	Vice President	2006
Jodie Greig	Board Member	2006
Don Schiltz	Board Member	2008
Mike Karels	Board Member	2008
Nancy Anderson	Board Member	2007
Molly Anderson	Board Member	2007

**(After September 2006 Election)**

Molly Anderson	President	2007
Karen Butler	Vice President	2009
Mike Karels	Board Member	2008
Don Schiltz	Board Member	2008
Jodie Greig	Board Member	2009
Nancy Anderson	Board Member	2007
Duane Schnell	Board Member	2009

**SCHOOL OFFICIALS**

Richard Magnuson	Superintendent	2007
Kate Woods	District Secretary	Indefinite
Harold White	Attorney	Indefinite



## **Independent Auditors' Report**

To the Board of Education of the  
Estherville Lincoln Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District, Estherville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2008, on our consideration of Estherville Lincoln Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and pages 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management



regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Estherville Lincoln Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which is not presented herein) and expressed unqualified opinions on those financial statements. We did not previously audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
February 8, 2008



---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Estherville Lincoln Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,496,062 in fiscal 2006 to \$11,943,553 in fiscal 2007, while General Fund expenditures increased from \$11,822,804 in fiscal 2006 to \$12,060,584 in fiscal 2007. The District's General Fund balance decreased from \$1,070,388 in fiscal 2006 to \$953,337 in fiscal 2007, a 10.9% decrease.
- The increase in General Fund revenues was attributable to an increase in local taxes and state sources. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's General Fund revenue increase for fiscal 2007. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- Interest rates improved and earnings in the General Fund increased from \$ 95,950 in fiscal year 2006 to \$152,605 in fiscal year 2007.
- Beginning July 1, 2003 the District engaged Dakotacare as third party administrator for its self-insured employee health plan which is maintained in an Internal Service Fund. The net assets in the fund are \$1,638,324 at June 30, 2007 and increased by 33% from year ending June 30, 2006.
- On December 5, 2006, the voters of the Estherville Lincoln Central School District passed a Bond Issue by 81.8% in support of a construction project to build and remodel the district's K-12 school buildings. Total project costs will be over \$ 13 million and be funded by a combination of General Obligation Bonds, Sales Tax Revenue Bonds, Grants and a loan through the Iowa Energy Bank Program.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Estherville Lincoln Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Estherville Lincoln Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Estherville Lincoln Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.



Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Debt Service Fund, and Permanent Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**GASB 34 Estherville Lincoln Central Community School District Annual Financial Report**

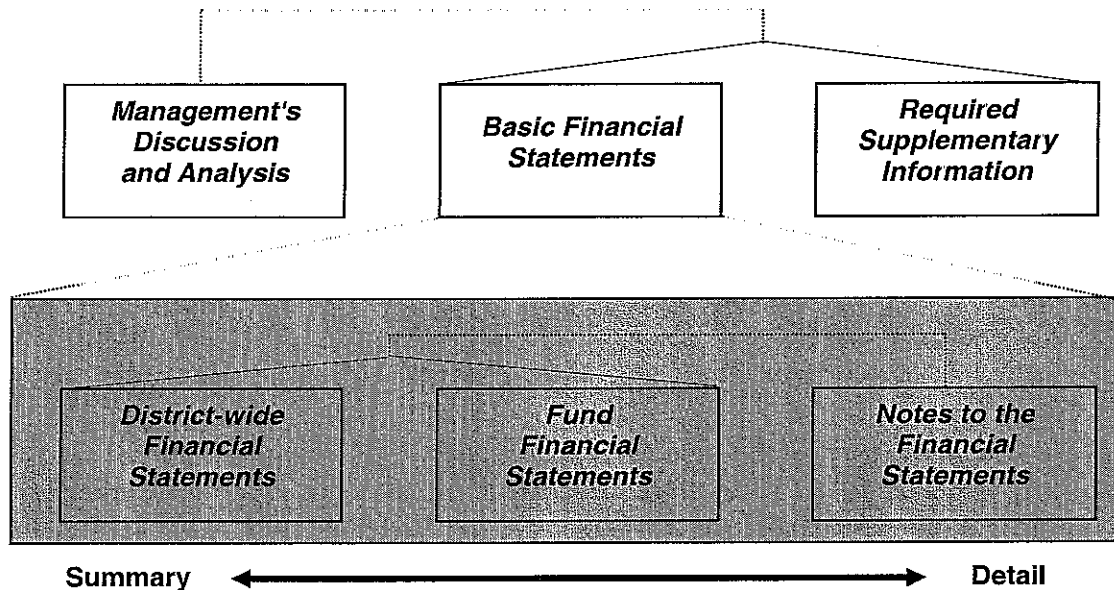




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall



---

health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, child care program and Wellness Center are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Permanent Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the Child Care Fund, and the Wellness Center Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary fund includes the Regional Wellness Scholarship fund. This fund is a Private-Purpose Trust Fund. The Private-Purpose Trust Fund accounts for outside donations for scholarships for individual students.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3 – Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total % Change
	2006	2007	2006	2007	2006	2007	2006-07
Current and other assets	\$ 9,185,779	\$ 18,708,844	\$ 856,936	\$ 1,002,489	\$ 10,042,715	\$ 19,711,333	96.3%
Capital assets	3,943,361	4,586,649	5,239,938	5,191,220	9,183,299	9,777,869	6.5%
Total assets	13,129,140	23,295,493	6,096,874	6,192,709	19,226,014	29,488,202	53.4%
Long-term obligations	1,094,670	9,169,754	-	-	1,094,670	9,169,754	737.7%
Other Liabilities	5,299,503	5,988,179	137,140	138,488	5,436,643	6,126,667	12.7%
Total liabilities	6,394,173	15,157,933	137,140	138,488	6,531,313	15,296,421	134.2%
Net assets:							
Invested in capital assets,							
net of related debt	2,954,346	3,911,649	5,239,938	5,191,220	8,194,284	9,102,869	11.1%
Restricted	-	138,416	-	-	-	138,416	-
Unrestricted	3,780,621	4,087,495	719,796	863,001	4,500,417	4,950,497	10.0%
Total net assets	\$ 6,734,967	\$ 8,137,560	\$ 5,959,734	\$ 6,054,221	\$ 12,694,701	\$ 14,191,781	11.8%

The District's combined net assets at June 30, 2006 were \$ 12,694,701 and increased to \$ 14,191,781 at June 30, 2007, an improvement of 11.8%. This improvement in net assets came from both its governmental activities and proprietary funds.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$138,416.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by 10.0%. This increase in unrestricted net assets was mainly due to the increase in net assets of the proprietary funds and the increase in net assets of the internal service fund. Figure A-4 shows the change in net assets for the year ended June 30, 2007.



Figure A-4 shows the changes in net assets.

Figure A-4 – Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total % Change 2006-07
	2006	2007	2006	2007	2006	2007	
Revenues:							
Program revenues:							
Charges for services	\$ 935,326	\$ 882,222	\$ 821 773	\$ 864 418	\$ 1,757,099	\$ 1,746,640	-0.6%
Operating grants, contributions, and restricted interest	1 801,401	1,872,558	688 281	503,197	2,489,682	2,375,755	-4.6%
Capital grants, contributions and restricted interest	762	100 000	-	-	762	100,000	130.2%
General revenues:							
Property tax	4 199,493	4,578,060	-	-	4,199,493	4,578,060	9.0%
Local Option	669 605	818,407	-	-	669,605	818,407	22.2%
Unrestricted state grants	5,584,650	5,698,814	-	-	5,584,650	5 698,814	2.0%
Unrestricted investment earnings	141 018	276,160	19 366	50 260	160,384	326,420	103.5%
Gains on Disposal of Fixed Asset	500	850	-	-	500	850	70.0%
Other	87,565	21 382	-	-	87,565	21,382	-75.6%
Transfers	-127,332	-50,000	127,332	50,000	-	-	-
Total revenues	13,292,988	14,198,453	1,656,752	1,467,875	14,949,740	15,666,328	4.8%
Program expenses:							
Governmental activities:							
Instruction	8,329,026	8,569,819	-	-	8,329,026	8,569,819	2.9%
Support services	3,438,144	3,450 919	-	-	3,438,144	3,450 919	4%
Non-instructional programs	-	-	1,321 817	1 373 388	1 321,817	1,373,388	3.9%
Other expenses	727,878	775,122	-	-	727,878	775,122	6.5%
Total expenses	12,495,048	12,795,860	1,321,817	1,373,388	13,816,865	14,169,248	2.6%
Change in net assets	\$ 797,940	\$ 1,402,593	\$ 334,935	\$ 94,487	\$ 1,132,875	\$ 1,497,080	32.1%

In fiscal 2007, property tax and unrestricted state grants account for 72.4% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 93% of the revenue from business type activities.

The District's total revenues were approximately \$15.6 million of which \$14.1 million was for governmental activities and \$1.5 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.8% increase in revenues and a 2.6% increase in expenses.



---

## Governmental Activities

Revenues for governmental activities were \$14,089,883 and expenses were \$12,795,860.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

**Figure A-5 – Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
			% Change			% Change
	2006	2007	2006-07	2006	2007	2006-07
Instruction	\$ 8,329,026	\$ 8,569,819	2.9%	\$ 6,187,524	\$ 6,339,476	2.5%
Support Services	3,438,144	3,450,919	4%	3,263,410	3,274,629	0.3%
Other expenses	727,878	775,122	6.5%	306,625	326,975	6.6%
Totals	<u>\$ 12,650,689</u>	<u>\$ 12,795,860</u>	<u>1.1%</u>	<u>\$ 9,451,067</u>	<u>\$ 9,941,080</u>	<u>5.2%</u>

- The cost financed by users of the District's programs was \$882,222.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,972,558.
- The net cost of governmental activities was financed with \$5,396,467 in property and other taxes and \$5,698,814 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$1,467,875 representing a 11.4% decrease over the prior year while expenses totaled \$1,373,388 a 3.9% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District's business type activities also include the Regional Wellness Center. During fiscal year ending June 30, 2007 the balance of contributions pledged for the capital campaign was transferred to the operating fund.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Estherville Lincoln Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$11,721,594 an increase from last year's ending fund balances of \$2,973,755. The 2007 capital projects' fund balance is \$ 8.4 million of this balance.



---

## **Governmental Fund Highlights**

- The District's slight decrease in financial position is the result of many factors. Expenditures exceeded revenues by approximately \$ 53,000. The District used carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,070,388 to \$ 953,337, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a deficit of \$3,435 in fiscal 2006 to a deficit of \$ 13,988 in fiscal 2007. While tax revenues remained approximately the same, the District struggled to maintain its deteriorating facilities and keep up with technology.
- The Capital Projects Fund balance decreased slightly and the district used sales tax revenues to pay off its revenue bonds for the improvements made in the year 2000 and to purchase property for the new building site.
- The 2007 Capital Projects Fund was established during the fiscal year to record activities related to the construction and remodeling of a new K-8 facility that will be attached to the present high school. Total cost of project is estimated at over \$ 13 million.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$ 163,323 at June 30, 2006 to \$208,075 at June 30, 2007, representing an increase of approximately 27.4%. The District improved its breakfast and school lunch program to provide students with the a-la-carte options with little additional cost to the program. The District has also participated in a summer food program during the last two summers. These changes resulted in an increase in meals served and a related increase in revenue and net assets.

Regional Wellness Center Fund assets increased from \$ 5,691,760 at June 30, 2006 to \$ 5,748,117, an increase of approximately .1%. The Regional Wellness Center purchased the adjoining 5.4 acres south of the current structure for future expansion of the center.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Estherville Lincoln Central Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with additional grant revenues and contributions to the Regional Wellness Center,

The District's revenues were \$876,672 more than budgeted revenues, due in part to the transfer of capital campaign funds for the Regional Wellness Center project.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District did not exceed its budget in any functional areas for the year ended June 30, 2007.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$9.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of .9% increase from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$541,904.

The original cost of the District's capital assets was \$15.6 million. Governmental funds account for \$9.9 million, with the remainder of \$5.7 million accounted for in the Proprietary, School Nutrition Fund and Regional Wellness Center Fund.

Figure A-6 – Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2007	2006	2007	2006	2007	2006-07
Land	\$ 72,023	\$ 171,008	\$ -	\$ 82,350	\$ 72,023	\$ 253,358	251.8%
Buildings	2,551,382	2,644,608	4,939,287	4,807,605	7,490,669	7,452,213	- .5%
Improvements other than buildings	387,275	381,296	-	-	387,275	381,296	-1.5%
Furniture and equipment	932,681	962,999	300,651	301,265	1,233,332	1,264,264	2.5%
Construction in Progress	-	426,738	-	-	-	426,738	100.0%
Totals	<u>\$ 3,943,361</u>	<u>\$ 4,586,649</u>	<u>\$ 5,239,938</u>	<u>\$ 5,191,220</u>	<u>\$ 9,183,299</u>	<u>\$ 9,777,869</u>	<u>0.6%</u>

### Long-Term Debt

At June 30, 2007, the District had \$9,846,794 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 503.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In April 2000, the District adopted a resolution providing for the issuance of \$2,750,000 in School Infrastructure Sales and Services Tax Revenue Bonds and on April 9, 2007, the District adopted a resolution providing for the issuance of \$ 8.7 million in General Obligation Bonds. The District had total outstanding bonded indebtedness at June 30, 2007 of \$9,375,000.



---

**Figure A-7 – Outstanding Long-Term Obligations**

	Total School District		Total Change
	June 30,		June 30,
	2006	2007	2007-2006
Revenue Bonds	\$ 985,000	\$ 675,000	31.47%
GO Bonds	-	8,700,000	-
Early Retirement	642,144	471,794	-26.5%
Total	\$ 1,627,144	\$ 9,846,794	505.2%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- On December 5, 2006, voters of the district approved a bond referendum by over 81% for the construction, demolition and improvement of K-12 buildings throughout the district. The plans provide for all facilities to be located on one campus, this should help the district run more efficiently and hopefully reduce General Fund operating expenditures.
- The District has experienced declining enrollment for the past three years and will have to maintain or reduce expenditures, this becomes a difficult task with rising insurance, salary and instructional materials costs.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, at least one bus per year must be replaced. To pay for these buses, the District will use the Physical Plant and Equipment Levy Fund.
- The District will negotiate a new salary agreement with the Education Association during fiscal 2008. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District has invested funds in Technology, primarily from state funds allocated to the District designated specifically for Technology. The state has eliminated these funds, and without funds available the District must find other resources or let our technology become out dated.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kate Woods District Secretary/Treasurer and Business Manager, Estherville Lincoln Central Community School District, 301 N 6<sup>th</sup> Street, Estherville, Iowa, 51334.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Pooled Investments	\$ 13,478,688	\$ 954,254	\$ 14,432,942
Receivables:			
Property Tax	126,820	-	126,820
Succeeding Year Property Tax	4,526,585	-	4,526,585
Accounts	9,173	10,581	19,754
Due From Other Governments	467,769	18,277	486,046
Inventories	52,380	18,377	70,757
Unamortized Bond Issuance Costs	47,429	-	47,429
Capital Assets, Net of Accumulated Depreciation	4,586,649	5,191,220	9,777,869
<b>Total Assets</b>	<b>23,295,493</b>	<b>6,192,709</b>	<b>29,488,202</b>
<b>Liabilities</b>			
Accounts Payable	338,738	44,452	383,190
Salaries and Benefits Payable	61,282	28,071	89,353
Accrued Interest Payable	62,522	-	62,522
Due to Other Governments	271,852	-	271,852
Unearned Revenue	6,000	65,965	71,965
Unamortized Bond Premiums	44,160	-	44,160
Deferred Revenue - Succeeding Year Property Tax	4,526,585	-	4,526,585
Long Term Liabilities:			
Portion Due Within One Year:			
Bonds Payable	580,000	-	580,000
Early Retirement	97,040	-	97,040
Portion Due After One Year:			
Bonds Payable	8,795,000	-	8,795,000
Early Retirement	374,754	-	374,754
<b>Total Liabilities</b>	<b>15,157,933</b>	<b>138,488</b>	<b>15,296,421</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,911,649	5,191,220	9,102,869
Restricted For:			
Debt Service	14,859	-	14,859
Management Levy	123,557	-	123,557
Unrestricted	4,087,495	863,002	4,950,497
<b>Total Net Assets</b>	<b>\$ 8,137,560</b>	<b>\$ 6,054,221</b>	<b>\$ 14,191,781</b>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 5,297,802	\$ 135,580	\$ 690,346	\$ -
Special Instruction	2,197,120	343,737	637,033	-
Other Instruction	1,074,897	396,835	26,812	-
Support Services:				
Student Services	410,980	-	61,106	-
Instructional Staff Services	457,363	-	9,114	-
Administration Services	1,030,176	-	-	-
Operation and Maintenance	1,185,621	6,070	-	100,000
Transportation Services	366,779	-	-	-
Other Expenditures:				
Facilities Acquisition	2,755	-	-	-
Long-term Debt Interest	111,917	-	-	-
AEA Flowthrough	448,147	-	448,147	-
Depreciation (unallocated)*	212,303	-	-	-
Total Governmental Activities	<u>12,795,860</u>	<u>882,222</u>	<u>1,872,558</u>	<u>100,000</u>
<b>Business-Type Activities:</b>				
Non-instructional Programs:				
Nutrition Services	572,286	278,377	335,084	-
Childcare Center	153,890	100,147	39,113	-
Wellness Center	647,212	485,894	129,000	-
Total Business-Type Activities	<u>1,373,388</u>	<u>864,418</u>	<u>503,197</u>	<u>-</u>
Total School District	<u>\$ 14,169,248</u>	<u>\$ 1,746,640</u>	<u>\$ 2,375,755</u>	<u>\$ 100,000</u>

**General Revenues:**

Property Tax Levied For:  
    General Purposes  
    Management Levy  
    Capital Outlay  
Local Option Sales Tax  
Unrestricted State Grants  
Unrestricted Investment Earnings  
Gains on Disposal of Assets  
Miscellaneous  
Transfers  
Total General Revenues & Transfers  
Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.



<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (4,471,876)	\$ -	\$ (4,471,876)
(1,216,350)	-	(1,216,350)
(651,250)	-	(651,250)
(349,874)	-	(349,874)
(448,249)	-	(448,249)
(1,030,176)	-	(1,030,176)
(1,079,551)	-	(1,079,551)
(366,779)	-	(366,779)
(2,755)	-	(2,755)
(111,917)	-	(111,917)
-	-	-
(212,303)	-	(212,303)
<u>(9,941,080)</u>	<u>-</u>	<u>(9,941,080)</u>
-	41,175	41,175
-	(14,630)	(14,630)
-	(32,318)	(32,318)
<u>-</u>	<u>(5,773)</u>	<u>(5,773)</u>
<u>(9,941,080)</u>	<u>(5,773)</u>	<u>(9,946,853)</u>
3,729,812	-	3,729,812
502,424	-	502,424
345,824	-	345,824
818,407	-	818,407
5,698,814	-	5,698,814
276,160	50,260	326,420
850	-	850
21,382	-	21,382
(50,000)	50,000	-
<u>11,343,673</u>	<u>100,260</u>	<u>11,443,933</u>
1,402,593	94,487	1,497,080
<u>6,734,967</u>	<u>5,959,734</u>	<u>12,694,701</u>
<u>\$ 8,137,560</u>	<u>\$ 6,054,221</u>	<u>\$ 14,191,781</u>

See Accompanying Notes to Financial Statements



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	General	2007 Capital Projects	Capital Project	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and Pooled Investments	\$ 941,588	\$ 8,567,440	\$ 1,331,967	\$ 923,534	\$ 11,764,529
Receivables:					
Property Tax	98,466	-	-	28,354	126,820
Succeeding Year Property Tax	3,449,964	-	-	1,076,621	4,526,585
Accounts	703	-	-	888	1,591
Due From Other Governments	296,623	-	171,146	-	467,769
Due From Other Funds	82	-	-	-	82
Inventories	52,380	-	-	-	52,380
Total Assets	<u>4,839,806</u>	<u>8,567,440</u>	<u>1,503,113</u>	<u>2,029,397</u>	<u>16,939,756</u>
<b>Liabilities and Equity</b>					
Liabilities:					
Accounts Payable	97,371	120,000	-	135,072	352,443
Salaries and Benefits Payable	61,282	-	-	-	61,282
Due to Other Governments	271,852	-	-	-	271,852
Unearned Revenue	6,000	-	-	-	6,000
Deferred Revenue:					
Succeeding Year Property Tax	3,449,964	-	-	1,076,621	4,526,585
Total Liabilities	<u>3,886,469</u>	<u>120,000</u>	<u>-</u>	<u>1,211,693</u>	<u>5,218,162</u>
Fund Balances:					
Reserved for:					
Phase III	774	-	-	-	774
Medicaid(10%)	6,558	-	-	-	6,558
ESL	818	-	-	-	818
Talented and Gifted	4,081	-	-	-	4,081
At Risk	28,057	-	-	-	28,057
Market Factor	9,097	-	-	-	9,097
Beginning Teacher Mentoring	997	-	-	-	997
Innovative At Risk	2,887	-	-	-	2,887
Inventories	52,380	-	-	-	52,380
Debt Service	-	-	-	14,859	14,859
Unreserved for:					
General Fund	847,688	-	-	-	847,688
Special Revenue Fund	-	-	-	656,201	656,201
Permanent Fund	-	-	-	146,644	146,644
Capital Project Fund	-	8,447,440	1,503,113	-	9,950,553
Total Fund Balances	<u>953,337</u>	<u>8,447,440</u>	<u>1,503,113</u>	<u>817,704</u>	<u>11,721,594</u>
Total Liabilities and Equity	<u>\$ 4,839,806</u>	<u>\$ 8,567,440</u>	<u>\$ 1,503,113</u>	<u>\$ 2,029,397</u>	<u>\$ 16,939,756</u>

See Accompanying Notes to Financial Statements



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds (page 17)		\$ 11,721,594
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,586,649
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(62,522)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal Service Funds are:		
Current assets	1,721,741	
Accounts payable	<u>(83,417)</u>	1,638,324
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		47,429
Bond premiums are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		(44,160)
Long-term liabilities, including bonds payable and the long term portion of early retirement, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		<u>(9,749,754)</u>
Total Net Assets - Governmental Activities (page 14)		<u>\$ 8,137,560</u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	General	2007 Capital Projects	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local Sources:					
Local Tax	\$ 3,729,812	\$ -	\$ 818,407	\$ 847,478	\$ 5,395,697
Tuition	438,187	-	-	-	438,187
Other	235,729	8,390	77,481	452,395	773,995
State Sources	6,924,937	-	-	768	6,925,705
Federal Sources	614,868	-	-	100,000	714,868
Total Revenues	<u>11,943,533</u>	<u>8,390</u>	<u>895,888</u>	<u>1,400,641</u>	<u>14,248,452</u>
Expenditures:					
Current:					
Instruction:					
Regular Instruction	5,388,880	-	-	94,000	5,482,880
Special Instruction	2,247,870	-	-	-	2,247,870
Other Instruction	731,361	-	-	390,278	1,121,639
Support Services:					
Student Services	426,898	-	-	3,155	430,053
Instructional Staff Services	432,232	-	-	136,714	568,946
Administration Services	1,008,654	-	-	64,058	1,072,712
Operation and Maintenance	1,062,295	-	-	175,176	1,237,471
Transportation Services	314,247	-	-	107,568	421,815
Other Expenditures:					
Facilities Acquisition		403,763	152,212	191,940	747,915
Long Term Debt:					
Principal			-	314,015	314,015
Interest and Fiscal Charges		48,232	-	53,826	102,058
AEA Flowthrough	448,147		-	-	448,147
Total Expenditures	<u>12,060,584</u>	<u>451,995</u>	<u>152,212</u>	<u>1,530,730</u>	<u>14,195,521</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(117,051)</u>	<u>(443,605)</u>	<u>743,676</u>	<u>(130,089)</u>	<u>52,931</u>
Other Financing Sources (Uses):					
General Obligation Bonds Issued	-	8,700,000	-	-	8,700,000
Premium on Sale of Bonds	-	44,908	-	-	44,908
Transfers In	-	146,137	-	369,835	515,972
Transfers Out	-	-	(509,964)	(56,008)	(565,972)
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,891,045</u>	<u>(509,964)</u>	<u>313,827</u>	<u>8,694,908</u>
Net Change in Fund Balances	(117,051)	8,447,440	233,712	183,738	8,747,839
Fund Balances - Beginning of Year	1,070,388	-	1,269,401	633,966	2,973,755
Fund Balances - End of Year	<u>\$ 953,337</u>	<u>\$ 8,447,440</u>	<u>\$ 1,503,113</u>	<u>\$ 817,704</u>	<u>\$ 11,721,594</u>

See Accompanying Notes to Financial Statements



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds (page 19) \$ 8,747,839

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	1,012,517	
Depreciation expense	<u>(369,230)</u>	643,287

Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statement of Activities.		3,269
---	--	-------

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		314,015
---	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(58,036)
--	--	----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in the governmental funds.		
Early retirement		44,915

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		(8,700,000)
---	--	-------------

Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net revenue of the Internal Services Funds is reported with governmental activities net of the amount allocated to business-type activities.		
Change in net assets		<u>407,304</u>

Change in Net Assets - Governmental Activities (page 16)		<u><u>\$ 1,402,593</u></u>
--	--	----------------------------



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>School Nutrition</b>	<b>Childcare Center</b>	<b>Wellness Center</b>	<b>Total</b>	
<b>Assets</b>					
Current Assets:					
Cash and Pooled Investments	\$ 86,265	\$ 136,827	\$ 731,162	\$ 954,254	\$ 1,714,159
Accounts Receivable	-	-	10,581	10,581	7,582
Due from Other Governments	18,230	47	-	18,277	-
Inventories	18,377	-	-	18,377	-
Total Current Assets	122,872	136,874	741,743	1,001,489	1,721,741
Noncurrent Assets:					
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	95,201	1,130	5,094,889	5,191,220	-
Total Noncurrent Assets	95,201	1,130	5,094,889	5,191,220	-
<b>Total Assets</b>	<b>218,073</b>	<b>138,004</b>	<b>5,836,632</b>	<b>6,192,709</b>	<b>1,721,741</b>
<b>Liabilities and Fund Equity</b>					
Current Liabilities:					
Accounts Payable	5,483	25,324	13,645	44,452	83,335
Due to Other Funds	-	-	-	-	82
Accrued Payroll	4,515	14,651	8,905	28,071	-
Unearned Revenues	-	-	65,965	65,965	-
Total Current Liabilities	9,998	39,975	88,515	138,488	83,417
<b>Total Liabilities</b>	<b>9,998</b>	<b>39,975</b>	<b>88,515</b>	<b>138,488</b>	<b>83,417</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	95,201	1,130	5,094,889	5,191,220	-
Unrestricted	112,874	96,900	653,228	863,002	1,638,324
<b>Total Net Assets</b>	<b>\$ 208,075</b>	<b>\$ 98,029</b>	<b>\$ 5,748,117</b>	<b>\$ 6,054,221</b>	<b>\$ 1,638,324</b>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Business-Type Activities -Enterprise Funds				Governmental Activities Internal Service Funds
	School Nutrition	Childcare Center	Wellness Center	Total	
Operating Revenues:					
Charges for Services	\$ 274,119	\$ 97,579	\$ 467,104	\$ 838,802	\$ 1,912,614
Miscellaneous	4,258	2,568	18,790	25,616	5,428
Total Operating Revenue	<u>278,377</u>	<u>100,147</u>	<u>485,894</u>	<u>864,418</u>	<u>1,918,042</u>
Operating Expenses:					
Non-Instructional Programs:					
Food Service Operations:					
Salaries and Benefits	270,504	-	-	270,504	-
Food	267,799	-	-	267,799	-
Purchased Services	4,927	-	-	4,927	-
Supplies	16,626	-	-	16,626	-
Depreciation	12,430	-	-	12,430	-
Other	-	-	-	-	-
Community Service Operations:					
Salaries and Benefits	-	136,146	280,255	416,401	-
Purchased Services	-	1,646	53,344	54,990	-
Supplies	-	13,076	142,528	155,604	-
Depreciation	-	126	160,120	160,246	-
Other	-	2,896	10,965	13,861	-
Other Enterprise Operations:					
Claims Expense	-	-	-	-	1,178,508
Administrative Fees and Other	-	-	-	-	332,231
Total Operating Expense	<u>572,286</u>	<u>153,890</u>	<u>647,212</u>	<u>1,373,388</u>	<u>1,510,739</u>
Operating Income(Loss)	(293,909)	(53,743)	(161,318)	(508,970)	407,303
Non-Operating Revenues:					
Transfers	-	-	50,000	50,000	-
Interest Income	3,577	8,008	38,675	50,260	-
Contributions	-	-	129,000	129,000	-
State Sources	7,150	-	-	7,150	-
Federal Sources	327,934	39,113	-	367,047	-
Total Non-Operating Revenue	<u>338,661</u>	<u>47,121</u>	<u>217,675</u>	<u>603,457</u>	<u>-</u>
Change in Net Assets	44,752	(6,622)	56,357	94,487	407,303
Net Assets - Beginning of Year	<u>163,323</u>	<u>104,651</u>	<u>5,691,760</u>	<u>5,959,734</u>	<u>1,231,021</u>
Net Assets - End of Year	<u>\$ 208,075</u>	<u>\$ 98,029</u>	<u>\$ 5,748,117</u>	<u>\$ 6,054,221</u>	<u>\$ 1,638,324</u>

See Accompanying Notes to Financial Statements



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Business Type Activities: Enterprise Funds</b>	
	<b>School Nutrition</b>	<b>Childcare Center</b>
<b>Cash Flows From Operating Activities</b>		
Cash Received from Customers	\$ 274,119	\$ 101,068
Other Operating Receipts	4,257	45
Cash Payments for Goods and Services	(257,468)	(16,741)
Cash Payments for Salaries and Benefits	(271,043)	(133,382)
Net Cash Provided (Used) by Operating Activities	(250,135)	(49,010)
<b>Cash Flows From Non-Capital Financing Activities</b>		
State Grants Received	7,150	
Federal Grants Received	288,317	47,428
Net Cash Provided by Non-Capital Financing Activities	295,467	47,428
<b>Cash Flows From Capital and Related Financing Activities</b>		
Transfers	-	-
Acquisition of Capital Assets	(14,273)	(1,255)
Net Cash (Used) by Capital and Related Financing Activities	(14,273)	(1,255)
<b>Cash Flows From Investing Activities:</b>		
Interest on Investments	3,577	8,008
<b>Net Increase in Cash and Cash Equivalents</b>	34,636	5,171
<b>Cash and Cash Equivalents At Beginning of Year</b>	51,629	131,656
<b>Cash and Cash Equivalents At End of Year</b>	<u>\$ 86,265</u>	<u>\$ 136,827</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Income (Loss) from operations	\$ (293,909)	\$ (53,743)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,430	126
Commodities used	40,518	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	-	965
Inventories	(6,617)	-
Accounts Payable	(2,017)	879
Due to Other Funds	-	-
Accrued Salaries and Benefits	(540)	2,763
Deferred Revenue	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (250,135)</u>	<u>\$ (49,010)</u>
<b>Non-Cash Investing, Capital and Financing Activities:</b>		
Federal Food Commodities Received	<u>\$ 40,518</u>	

See Accompanying Notes to Financial Statements



Business Type Activities: Enterprise Funds		Governmental Activities: Internal Service Funds
Wellness Center	Total	
\$ 455,156	\$ 830,343	\$ 1,910,460
147,593	151,895	-
(186,045)	(460,254)	(1,523,293)
(277,446)	(681,871)	-
139,258	(159,887)	387,167
-	7,150	-
-	335,745	-
-	678,640	-
50,000	50,000	-
(126,077)	(141,605)	-
(76,077)	(91,605)	-
38,675	50,260	-
101,856	477,408	387,167
629,306	812,591	1,326,992
<u>\$ 731,162</u>	<u>\$ 954,254</u>	<u>\$ 1,714,159</u>
\$ (161,318)	\$ (508,970)	\$ 407,303
160,120	172,676	-
-	40,518	-
2,632	3,597	(7,582)
-	(6,617)	-
(2,189)	(3,327)	(12,636)
-	-	82
(2,809)	(586)	-
13,822	13,822	-
<u>\$ 10,258</u>	<u>\$ (288,887)</u>	<u>\$ 387,167</u>

See Accompanying Notes to Financial Statements



ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>Assets</b>	
Cash and Pooled Investments	\$ 4,666
<b>Total Assets</b>	<u>4,666</u>
 <b>Net Assets</b>	
Unrestricted	4,666
<b>Total Net Assets</b>	<u>\$ 1,547</u>

See Accompanying Notes to Financial Statements



ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Scholarship</u>
<b>Additions:</b>	
Local Sources:	
Gifts and Contributions	\$ 10,509
Interest Income	65
Total Additions	<u>10,574</u>
<b>Deductions:</b>	
Support Services:	
Scholarships Awarded	<u>7,455</u>
<b>Change in Net Assets</b>	<u>3,119</u>
<b>Net Assets Beginning of Year</b>	<u>1,547</u>
<b>Net Assets End of Year</b>	<u><u>\$ 4,666</u></u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Estherville Lincoln Central Community School District was formed when voters of both the Estherville and Lincoln Central Community School Districts approved a merger as of July 1, 1997. The merger was accomplished by splitting the Lincoln Central School District with a neighboring school.

The Estherville Lincoln Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Estherville and Gruver, Iowa, the predominate agricultural territory in Emmet County and portions of Dickinson County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, Estherville Lincoln Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Estherville Lincoln Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

District-wide financial statements - The statement of net assets and the statement of activities report information on all of the non fiduciary activities of the District. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets, Net of Related Debt*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non major governmental funds.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.
- The **2007 Capital Projects Fund** is utilized to account for the construction of the new middle school and other renovations.
- The **Capital Projects Fund** is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

- The **School Nutrition Fund** is used to account for the food service operations of the District.
- The **Childcare Center Fund** is used to account for the childcare service operations of the District.
- The **Wellness Center Fund** is used to account for the Wellness Center operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund is the RWC Scholarship/Endowment fund. Funds are donated by private individuals and are to be used for memberships at the Regional Wellness Center operated by the District.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

The District-wide financial statements and the proprietary fund financial statements are reported using the "economic resources measurement focus". The District-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	\$ 1,000
Improvements other than buildings	\$ 1,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 15 Years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Obligations - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 disbursements did not exceed the amounts budgeted in any category.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$11,001,392 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**Note 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 72,023	\$ 98,985	\$ -	\$ 171,008
Construction in Progress	-	426,738	-	426,738
Total Capital Assets Not Being Depreciated	<u>72,023</u>	<u>525,723</u>	<u>-</u>	<u>597,746</u>
Capital Assets Being Depreciated:				
Land Improvements	643,368	20,829	-	664,197
Buildings	5,840,166	177,632	-	6,017,798
Equipment	2,646,637	288,332	104,000	2,830,969
Total Capital Assets Being Depreciated	<u>9,130,171</u>	<u>486,793</u>	<u>104,000</u>	<u>9,512,964</u>
Less: Accumulated Depreciation for:				
Land Improvements	256,093	26,808	-	282,901
Buildings	3,288,784	84,406	-	3,373,190
Equipment	1,713,956	258,014	104,000	1,867,970
Total Accumulated Depreciation	<u>5,258,833</u>	<u>369,228</u>	<u>104,000</u>	<u>5,524,061</u>
Total Capital Assets Being Depreciated, Net	<u>3,871,338</u>	<u>117,565</u>	<u>-</u>	<u>3,988,903</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,943,361</u>	<u>\$ 643,288</u>	<u>\$ -</u>	<u>\$ 4,586,649</u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 3 – CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Regional Wellness Center:				
Land	\$ -	\$ 82,350	\$ -	\$ 82,350
Capital Assets Being Depreciated:				
Nutrition Fund				
Equipment	124,853	14,274	-	139,127
Childcare Fund				
Equipment	-	1,255	-	1,255
Regional Wellness Center:				
Buildings	5,267,296	-	-	5,267,296
Equipment	268,819	26,079	-	294,898
	<u>5,536,115</u>	<u>26,079</u>	<u>-</u>	<u>5,562,194</u>
Total Capital Assets Being Depreciated	<u>5,660,968</u>	<u>41,608</u>	<u>-</u>	<u>5,702,576</u>
Less Accumulated Depreciation for:				
Nutrition Fund				
Equipment	31,495	12,430	-	43,925
Childcare Fund				
Equipment	-	126	-	126
Regional Wellness Center				
Buildings	328,009	131,683	-	459,692
Equipment	61,526	28,437	-	89,963
	<u>389,535</u>	<u>160,120</u>	<u>-</u>	<u>549,655</u>
Total Accumulated Depreciation	<u>421,030</u>	<u>172,676</u>	<u>-</u>	<u>593,706</u>
Business-Type Activity Capital Assets, Net	<u>\$ 5,239,938</u>	<u>\$ (131,068)</u>	<u>\$ -</u>	<u>\$ 5,191,220</u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 3 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged by the District as follows:

**Governmental Activities:**

Instruction:	
Regular	\$ 58,457
Support Services:	
Student Services	3,597
Instructional Staff	33,805
Administration	4,270
Operation and Maintenance	2,145
Transportation	<u>54,651</u>
	156,925
Unallocated Depreciation	<u>212,303</u>
 Total Depreciation Expense – Governmental Activities	 <u>\$ 369,228</u>

**Business-type Activities:**

Food Services	\$ 12,430
Childcare Center	126
Wellness Center	<u>160,120</u>
	<u>\$ 172,676</u>

**Note 4 – DUE FROM AND DUE TO OTHER FUNDS**

The detail of inter fund receivables and payables at June 30, 2007 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 82

The Internal Service Fund is transferring interest income generated by the Internal Service Fund that is due to the General Fund.

**Note 5 – INTER FUND TRANSFERS**

The detail of inter fund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Wellness Center	Nonmajor Governmental: Inman Trust	\$ 50,000
2007 Capital Projects	Capital Projects Fund	146,137
Nonmajor Governmental: Debt Service	Capital Projects Fund	363,827
Nonmajor Governmental: Inman Trust	Nonmajor Governmental: Sanborn Endowment	1,994
Nonmajor Governmental: Debt Service	Nonmajor Governmental: Physical Plant and Equipment Levy	<u>4,014</u>
		<u>\$ 565,972</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 6 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Local Option Tax Revenue Bonds	\$ 985,000	\$ -	\$ 310,000	\$ 675,000	\$ 330,000
General Obligation Bonds	-	8,700,000	-	8,700,000	250,000
Notes Payable	4,015	-	4,015	-	-
Early Retirement	642,144	52,324	222,674	471,794	97,040
<b>Total Long-Term Liabilities</b>	<b>\$1,631,159</b>	<b>\$8,752,324</b>	<b>\$ 536,689</b>	<b>\$9,846,794</b>	<b>\$ 677,040</b>

**Bonds Payable**

The District adopted a resolution, on April 10, 2000, providing for the issuance of \$2,750,000 in School Infrastructure Sales and Services Tax Revenue Bonds, Series 2000A. As part of the resolution, the District will deposit all local option tax revenue into the local option sales and services tax revenue fund for the payment and interest on the bonds.

Details of the District's June 30, 2007 local option tax revenue bonded indebtedness are as follows:

<b>Year Ending June 30</b>	<b>Interest Rates</b>	<b>Bond Issue of April 10, 2000 Principal</b>	<b>Interest</b>
2008	5.40	330,000	36,623
2009	5.45	345,000	18,803
	<b>Total</b>	<b>\$ 675,000</b>	<b>\$ 55,426</b>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 6 – LONG-TERM LIABILITIES (Continued)**

The District adopted a resolution on April 9, 2007, providing for the issuance of \$ 8.7 million in General Obligation School Bonds, Series 2007. Details of the District's June 30, 2007 general obligation bonds are as follows:

Year Ending June 30	Interest Rates	Bond Issue of April 9, 2007	
		Principal	Interest
2008	4.00	\$ 250,000	\$ 356,818
2009	4.00	285,000	346,818
2010	4.00	305,000	335,418
2011	4.00	315,000	323,218
2012	4.00	335,000	310,618
2013-2017	4.00	1,920,000	1,335,490
2018-2022	4.00	2,380,000	878,290
2023-2027	4.00	2,910,000	361,388
	Total	<u>\$ 8,700,000</u>	<u>\$ 4,248,048</u>

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2007, totaled \$222,674. There were 21 retired individuals receiving benefits at June 30, 2007.

**Note 7 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$ 426,364, \$414,509 and \$395,360, respectively, equal to the required contributions for each year.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**Note 8 – RISK MANAGEMENT**

Estherville Lincoln Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9 – HEALTH CARE COVERAGE**

The District maintains the Insurance Internal Service Fund to account for the District's employee health care coverage program which is self-insured by the District beginning July 1, 2003. Aggregate stop-loss insurance and specific stop-loss insurance are covered through third-party insurance policies. Revenues are recognized from payroll deduction and District contributions. As of June 30, 2007, a liability of \$83,335 has been recorded, which represents estimated claims incurred but not yet reported.

Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$ 95,971
Current Year Claims and Changes in Estimates	1,242,290
Claim Payments	<u>(1,254,926)</u>
Liability, End of Year	<u>\$ 83,335</u>

**Note 10 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$448,147 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11 – SUBSEQUENT EVENT**

On September 4, 2007, the District entered in to a contract totaling \$10,156,000 for the construction of a new middle school and other renovation projects.



**REQUIRED SUPPLEMENTARY  
INFORMATION**



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>Receipts:</b>			
Local Sources:			
Local Taxes	\$ 5,395,697	\$ -	\$ 5,395,697
Tuition	438,187	-	438,187
Other	773,995	914,678	1,688,673
State Sources	6,925,705	7,150	6,932,855
Federal Sources	714,868	367,047	1,081,915
Total Receipts	<u>14,248,452</u>	<u>1,288,875</u>	<u>15,537,327</u>
<b>Expenditures:</b>			
Instruction	8,852,389	-	8,852,389
Support Services	3,730,997	121,506	3,852,503
Non-instructional Programs	-	1,251,882	1,251,882
Other Expenditures	1,612,135	-	1,612,135
Total Expenditures	<u>14,195,521</u>	<u>1,373,388</u>	<u>15,568,909</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	52,931	(84,513)	(31,582)
<b>Other Financing Sources (Uses):</b>			
Long Term Debt Proceeds	8,744,908	-	8,744,908
Transfers In	515,972	50,000	565,972
Transfers Out	(565,972)	-	(565,972)
Total Other Financing Sources (Uses)	<u>8,694,908</u>	<u>50,000</u>	<u>8,744,908</u>
<b>Net Change in Fund Balances</b>	8,747,839	(34,513)	8,713,326
<b>Fund Balance at Beginning of Year</b>	<u>2,973,755</u>	<u>5,959,734</u>	<u>8,933,489</u>
<b>Fund Balance at End of Year</b>	<u>\$ 11,721,594</u>	<u>\$ 5,925,221</u>	<u>\$ 17,646,815</u>

See Accompanying Independent Auditor's Report



Budgeted Amounts		Final to
Original	Amended	Actual Variance
\$ 5,212,900	\$ 5,212,900	\$ 182,797
452,055	452,055	(13,868)
1,402,150	1,402,150	286,523
7,085,826	7,085,826	(152,971)
655,853	655,853	426,062
<u>14,808,784</u>	<u>14,808,784</u>	<u>728,543</u>
9,054,246	9,309,648	457,259
3,807,655	4,245,611	393,108
1,437,635	1,437,635	185,753
1,640,827	1,896,975	284,840
<u>15,940,363</u>	<u>16,889,869</u>	<u>1,320,960</u>
(1,131,579)	(2,081,085)	2,049,503
-	-	8,744,908
417,843	417,843	148,129
<u>(417,843)</u>	<u>(417,843)</u>	<u>(148,129)</u>
<u>-</u>	<u>-</u>	<u>8,744,908</u>
(1,131,579)	(2,081,085)	10,794,411
<u>8,933,489</u>	<u>8,933,489</u>	<u>-</u>
<u>\$ 7,801,910</u>	<u>\$ 6,852,404</u>	<u>\$ 10,794,411</u>

See Accompanying Independent Auditor's Report



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007**

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$ 949,506.

During the year ended June 30, 2007, the District did not exceed the amounts budgeted in any of the four major functions and did not exceed its General Fund unspent authorized budget.



**OTHER SUPPLEMENTARY  
INFORMATION**



ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL NONMAJOR FUNDS  
 JUNE 30, 2007

	Special Revenue				Debt
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Inman Trust	Debt Service
<b>Assets</b>					
Cash and Pooled Investments	\$ 174,841	\$ 207,951	\$ 12,885	\$ 372,292	\$ 8,921
Receivables:					
Property Tax	-	12,789	9,627	-	5,938
Succeeding Year Property Tax	-	400,000	339,130	-	337,491
Accounts	888	-	-	-	-
<b>Total Assets</b>	<u>175,729</u>	<u>620,740</u>	<u>361,642</u>	<u>372,292</u>	<u>352,350</u>
<b>Liabilities</b>					
Accounts Payable	1,389	97,183	36,500	-	-
Deferred Revenue:					
Succeeding Year Property Tax	-	400,000	339,130	-	337,491
<b>Total Liabilities</b>	<u>1,389</u>	<u>497,183</u>	<u>375,630</u>	<u>-</u>	<u>337,491</u>
<b>Fund Balance</b>					
Reserved for Debt Service	-	-	-	-	14,859
Unreserved for:					
Special Revenue Fund	174,340	123,557	(13,988)	372,292	-
Permanent Fund	-	-	-	-	-
<b>Total Fund Balance</b>	<u>174,340</u>	<u>123,557</u>	<u>(13,988)</u>	<u>372,292</u>	<u>14,859</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 175,729</u>	<u>\$ 620,740</u>	<u>\$ 361,642</u>	<u>\$ 372,292</u>	<u>\$ 352,350</u>



<b><u>Permanent</u></b>	
<b><u>Sanborn Endowment</u></b>	<b><u>Total</u></b>
\$ 146,644	\$ 923,534
-	28,354
-	1,076,621
-	888
<u>146,644</u>	<u>2,029,397</u>
-	135,072
-	<u>1,076,621</u>
-	<u>1,211,693</u>
-	14,859
-	656,201
<u>146,644</u>	<u>146,644</u>
<u>146,644</u>	<u>802,845</u>
<u>\$ 146,644</u>	<u>\$ 2,029,397</u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue				Debt
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Inman Trust	Debt Service
Revenues:					
Local Sources:					
Local tax	\$ -	\$ 501,960	\$ 339,580	\$ -	\$ 5,938
Other	402,424	21,690	159	16,560	8,921
State Sources	-	464	304	-	-
Federal Sources	-	-	100,000	-	-
Total Revenues	<u>402,424</u>	<u>524,114</u>	<u>440,043</u>	<u>16,560</u>	<u>14,859</u>
Expenditures:					
Current:					
Instruction:					
Regular Instruction	-	92,006	-	1,994	-
Other Instruction	390,278	-	-	-	-
Support Services:					
Student Services	3,155	-	-	-	-
Instructional Staff Services	-	-	136,714	-	-
Administration Services	346	63,712	-	-	-
Operation and Maintenance	-	148,785	26,391	-	-
Transportation Services	-	16,031	91,537	-	-
Other Expenditures:					
Facilities Acquisition	-	-	191,940	-	-
Long Term Debt:					
Principal	-	-	-	-	314,015
Interest and Fiscal Charges	-	-	-	-	53,826
Total Expenditures	<u>393,779</u>	<u>320,534</u>	<u>446,582</u>	<u>1,994</u>	<u>367,841</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,645</u>	<u>203,580</u>	<u>(6,539)</u>	<u>14,566</u>	<u>(352,982)</u>
Other Financing Sources (Uses):					
Transfers In	-	-	-	1,994	367,841
Transfers Out	-	-	(4,014)	(50,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(4,014)</u>	<u>(48,006)</u>	<u>367,841</u>
Net Change in Fund Balances	8,645	203,580	(10,553)	(33,440)	14,859
Fund Balances - Beginning of Year	<u>165,695</u>	<u>(80,023)</u>	<u>(3,435)</u>	<u>405,732</u>	<u>-</u>
Fund Balances - End of year	<u>\$ 174,340</u>	<u>\$ 123,557</u>	<u>\$ (13,988)</u>	<u>\$ 372,292</u>	<u>\$ 14,859</u>



<b><u>Permanent</u></b>	
<b><u>Sanborn Endowment</u></b>	<b><u>Total</u></b>
\$ -	\$ 847,478
2,641	452,395
-	768
-	100,000
<u>2,641</u>	<u>1,400,641</u>
-	94,000
-	390,278
-	3,155
-	136,714
-	64,058
-	175,176
-	107,568
-	191,940
-	314,015
-	53,826
<u>-</u>	<u>1,530,730</u>
<u>2,641</u>	<u>(130,089)</u>
-	369,835
<u>(1,994)</u>	<u>(56,008)</u>
<u>(1,994)</u>	<u>315,821</u>
647	183,738
<u>145,997</u>	<u>633,966</u>
<u>\$ 146,644</u>	<u>\$ 817,704</u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Balance Beginning of Year</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Balance End of Year</b>
Elementary	\$ 24,572	63,519	57,013	\$ 31,078
High School Activity	56,379	87,000	80,058	63,321
Athletics	26,496	191,607	186,161	31,942
Middle School	58,248	60,298	70,547	47,999
Total	<u>\$ 165,695</u>	<u>\$ 402,424</u>	<u>\$ 393,779</u>	<u>\$ 174,340</u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES AND RECEIPTS  
FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004, 2003**

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Local Sources:					
Local Tax	\$ 5,395,697	\$ 4,869,098	\$ 4,515,401	\$ 5,139,351	\$ 4,919,676
Tuition	438,187	486,143	1,121,539	432,742	333,834
Other	773,995	677,697	641,058	2,543,339	2,439,292
State Sources	6,925,705	6,592,251	6,566,433	6,400,290	6,583,495
Federal Sources	714,868	794,636	1,270,901	1,292,861	1,251,866
<b>Total</b>	<b>14,248,452</b>	<b>13,419,825</b>	<b>14,115,332</b>	<b>15,808,583</b>	<b>15,528,163</b>
<b>Expenditures:</b>					
Instruction:					
Regular Instruction	5,482,880	4,854,333	5,005,459	5,331,064	5,306,952
Special Instruction	2,247,870	2,582,724	2,522,207	2,584,254	2,508,109
Other Instruction	1,121,639	1,208,262	1,327,093	856,602	885,306
Support Services:					
Student Services	430,053	485,436	731,119	748,194	739,275
Instructional Staff Services	568,946	590,959	186,431	183,830	284,860
Administration Services	1,072,712	1,153,144	1,090,947	1,081,985	1,068,412
Operation and Maintenance	1,237,471	1,108,029	1,116,373	924,990	894,963
Transportation Services	421,815	381,856	338,691	302,291	270,929
Non-Instructional Programs	-	-	4,396	1,413	997
Other Expenditures:					
Facilities Acquisition	747,915	325,530	152,996	2,145,456	3,582,920
Long-Term Debt:					
Principal	314,015	303,028	283,028	268,028	362,987
Interest and Other Charges	102,058	70,200	85,462	99,893	118,813
AEA Flowthrough	448,147	421,253	419,600	420,910	456,537
<b>Total</b>	<b>\$ 14,195,521</b>	<b>\$ 13,484,754</b>	<b>\$ 13,263,802</b>	<b>\$ 14,948,910</b>	<b>\$ 16,481,060</b>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>Indirect:</b>			
U.S. Department of Agriculture			
Iowa Department of Education:			
Food Distribution	10.550	FY 07	\$ 40,518
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY 07	209,055
School Breakfast Program	10.553	FY 07	46,545
Child & Adult Care Food Program	10.558	FY 07	5,727
Summer Food Service Program	10.559	FY 07	31,817
			<u>293,144</u>
U.S. Department of Education			
Iowa Department of Education:			
Title I Program	84.010	General	189,071
Title I Program	84.013	Delinquent	67,423
			<u>256,494</u>
Migrant Education	84.011	FY 07	30,728
Special Education	84.027	FY 07	104,152
Vocational Education -Grants to States	84.048	FY 07	16,997
Safe & Drug Free Schools	84.186	FY 07	6,838
Even Start	84.213	FY 07	86,415
Funds for the Improvement of Education	84.215	FY 07	100,000
Tech Prep Education	84.243	FY 07	750
Title V - Innovative Education Program Strategies	84.298	FY 07	2,299
Federal Teacher Quality Program	84.367	FY 07	61,313
Grants for State Assessments and Related Activities	84.369	FY 07	9,114
U.S. Department of Health and Human Services:			
Child Care Development Block Grants	93.575	FY 07	33,386
Medical Assistance Program	93.778	FY 07	37,106
Learn & Serve America	94.004	FY 07	27
Total Indirect			<u>\$ 1,079,281</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Estherville Lincoln Central Community School District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.





Certified Public Accountants

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of the  
Estherville Lincoln Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Estherville Lincoln Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Estherville Lincoln Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by Estherville Lincoln Central Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 07-II-A and 07-II-B to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Estherville Lincoln Central Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Estherville Lincoln Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Estherville Lincoln Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Estherville Lincoln Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and other parties to whom Estherville Lincoln Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Estherville Lincoln Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
February 8, 2008



**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

To the Board of Education of the  
Estherville Lincoln Central Community School District:

**Compliance**

We have audited the compliance of Estherville Lincoln Central Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Estherville Lincoln Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of Estherville Lincoln Central Community School District's management. Our responsibility is to express an opinion on Estherville Lincoln Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Estherville Lincoln Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Estherville Lincoln Central Community School District's compliance with those requirements.

In our opinion, Estherville Lincoln Central Community School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A.

**Internal Control Over Compliance**

The management of Estherville Lincoln Central Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over compliance.



A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07-III-B, 07-III-C and 07-III-D to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider items 07-III-B, 07-III-C and 07-III-D to be material weaknesses.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
February 8, 2008



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.
- (D) Significant deficiencies in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
  - Child Nutrition Cluster
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - CFDA Number 84.027 – Special Education
- (H) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (I) Estherville Lincoln Central Community School District did not qualify as a low-risk auditee.

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

**07-II-A Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)**

**07-II-B Financial Reporting**

Observation – During our audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 10.553 – School Breakfast Program  
CFDA Number 10.555 – National School Lunch Program  
Federal Award Year – 2007  
Passed through the Iowa Department of Education**

**07-III-A School Breakfast Program and National School Lunch Program** – During the course of the audit, it was noted that certain eligibility requirements were not being met. We tested 60 applicants of which five did not meet the income eligibility requirements for reduced meals.

Recommendation – The District should implement procedures to verify that income eligibility is being calculated correctly in regards to free and reduced meals.

Response – We will exercise greater care in verifying and calculating the annual income in order to determine eligibility. This would include double checking the calculation that the computer software generates.

Conclusion – Response accepted

**SIGNIFICANT DEFICIENCIES:**

**07-III-B Financial Accounting – Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

**07-III-C Financial Reporting**

Observation – During our audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**CFDA Number 10.553 – School Breakfast Program  
CFDA Number 10.555 – National School Lunch Program  
Federal Award Year – 2007  
Passed through the Iowa Department of Education**

**07-III-D Eligibility for Free and Reduced Meals**

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, it was found that there is no procedure in place to verify that the software is correctly calculating the eligibility for free and reduced meals. There is also only one staff person in-charge of the free and reduced meals.

Recommendation – We recommend that an additional staff person verify the applications for free and reduced meals.

Response – The District has designated a second person to be responsible for review of all the free and reduced meal applications. This includes recalculating the software's determination of eligibility and verifying that any changes to the application are documented properly.

Conclusion – Response accepted.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

- 07-IV-A: Certified Budget – Disbursements for the year ended June 30, 2007 did not exceed the amended certified budget amounts.
- 07-IV-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- 07-IV-C: Travel Expense – No expenditures of Estherville Lincoln Central Community School District were for travel expenses of spouses of District officials or employees.
- 07-IV-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.
- 07-IV-E: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 07-IV-F: Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 07-IV-G: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 07-IV-H: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 07-IV-I: Deficit Balances – The Physical Plant and Equipment Levy fund had a deficit balance at June 30, 2007.

Recommendation – We recommend that the District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and future property taxes will eliminate this deficit by June 30, 2008.

Conclusion – Response accepted



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2007**

06-I-A Segregation of Duties - It was noted that one individual reconciles the bank accounts, performs record-keeping functions, maintains detail accounts receivable records, performs collections, and records postings for the office.

Recommendation – With a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Current Status – This finding still exists at June 30, 2007 (See Comment 07-II-A).



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
JUNE 30, 2007**

Department of Education:

Estherville Lincoln Central Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2007.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2007.

The findings from the June 30, 2007 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule. Part I of the schedule, Summary of Independent Auditor's Results, does not include a finding and is not addressed.

The audit disclosed an instance of non-compliance and significant deficiencies as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

**INSTANCE OF NON-COMPLIANCE:**

**07-III-A – Eligibility for Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555**

Recommendation – The District should implement procedures to verify that income eligibility is being calculated correctly in regards to free and reduced meals.

Response – We will exercise greater care in verifying and calculating the annual income in order to determine eligibility. This would include double checking the calculation that the computer software generates.

Conclusion – Response accepted

**SIGNIFICANT DEFICIENCIES:**

**07-III-B - Financial Accounting – Segregation of Duties – School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555 – Summer Food Service Program CFDA #10.559 – Title I Grants to Local Educational Agencies CFDA #84.010 – Special Education CFDA #84.027**

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS (Continued)  
JUNE 30, 2007**

07-III-C - Financial Reporting – School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555 – Summer Food Service Program CFDA #10.559 – Title I Grants to Local Educational Agencies CFDA #84.010 – Special Education CFDA #84.027

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

07-III-D – Internal Control over Eligibility Calculations for Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555

Recommendation – We recommend that an additional staff person verify the applications for free and reduced meals.

Response – The District has designated a second person to be responsible for review of all the free and reduced meal applications. This includes recalculating the software's determination of eligibility and verifying that any changes to the application are documented properly.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Richard Magnuson at 712-362-2692.

Sincerely yours,

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT



Richard Magnuson, Superintendent



